

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its own motion, to make adjustments to the universal service fund mechanism established in NUSF-26	Application No. NUSF-69 Progression Order No. 1
QWEST CORPORATION'S INITIAL COMMENTS	

Qwest Corporation ("Qwest") submits its initial comments in this Docket, as follows:

Introduction

As the Commission considers the issues presented in this docket considering universal service support for wireless services, Qwest urges that the requirements and needs of wireline providers be kept at the forefront. Although the Legislature has charged the Commission with providing access to "telecommunications" through its universal service fund policies in NEB. REV. STAT. § 86-323, and wireless services are "telecommunications" as defined in NEB. REV. STAT. § 86-320.1, the Commission is not obligated to make all types of telecommunications available to all Nebraskans. Such a task would be impossible. Rather, the Commission is charged with prioritizing the services that should be supported. As such, the Commission has repeatedly decided to support a single network with NUSF dollars in previous dockets, despite wireless carriers' calls for supporting those networks. For example, in the final order in Docket No. NUSF-26, the Commission concluded that the "public interest would be adversely

affected if the NUSF were to support more than one network in the remote rural areas where support is being targeted.”

Following on the decision in Docket No. NUSF-48 to establish some support for wireless services, this docket proposes to do exactly what the Commission concluded in November 2004 would harm the public interest: support a more than one network in rural Nebraska. To minimize the threat to the public interest, Qwest asks that the Commission consider that every dollar spent to support wireless services is unavailable to support the core wireline services network the NUSF was designed to support. The importance of supporting the wireline network is underscored by the fact that wireless networks, and even wireless transmission towers, connect to switches and central offices and transport calls over the wireline network. Thus, even as wireless networks compete for NUSF support with wireline networks, the wireless networks rely on a well-supported and healthy wireline network.

Procedural Note

Prior to making its substantive comments, Qwest notes that formulating comments in this *Progression Order No.1* has been difficult, because the issues presented in *Progression Order No.1* and *Progression Order No. 2* in this docket are inextricably intertwined. The questions and issues should therefore be considered as a whole. Perhaps some examples will help illustrate the problem. First, the question presented in *Progression Order No.1* regarding “buying down” cell towers cannot be answered in the absence of knowing whether a single network is being supported or multiple networks, which is a *Progression Order No. 2* issue. Second, the issue of identifying target rural areas for providing tower connectivity in *Progression Order No.1*

cannot be divorced from the determination of high cost areas in *Progression Order No. 2*.

Therefore, Qwest will address the all the issues and questions in both progression orders in this filing, in order to provide an integrated response to the full set of issues that arise from the Commission's proposal to support wireless services through an NUSF mechanism. First, Qwest provides its proposal to fund wireless service to currently un-served areas. Second, Qwest directly responds to issues the Commission raises in it *Progression Order No.1* and *Progression Order No. 2*.

1. Qwest Proposal

The fundamental goal of universal service policy should be to ensure that all citizens have access to critical communications technologies. To achieve more universal access to wireless services, the Commission should develop a strategy for subsidizing the deployment of wireless services, focusing on areas where no providers exist. As explained below, the most efficient model of spurring the entry of such providers is through the use of a "winner-take-all" competitive bidding process for a one-time, fixed-cost grant to subsidize the build-out of wireless service in areas where no service currently exists.

Qwest proposes a five-step process:

- (1) **Development of definitions for "wireless services" and an "un-served area." These definitions should fully disclose the service and standards expected by the Commission and any penalties or forfeitures for non-compliance. Additionally, the Commission should require a 10-year commitment to serve the un-served areas in question;**
- (2) **Implementation of an effective, comprehensive wireless coverage area mapping program;**
- (3) **Prioritization of un-served areas to be built out, based on meeting the most critical needs for wireless service coverage in the most cost-effective manner;**
- (4) **Determination by the Commission of the availability of NUSF support to fund wireless build-outs, while maintaining the Commission's current commitments to NUSF support for landline services.**
- (5) **A competitive bidding process conducted to award a single wireless carrier support to expand coverage to the prioritized list of un-served areas developed by the Commission. Only aid to construction support should be provided, as revenues generated by subscribers and/or sharing agreements with other carriers should fund ongoing operations.**

Through this five step process, the Commission will be able to expand wireless service to currently un-served areas over a number of years. Given the current level of the NUSF surcharge, funds in excess of the wireline NUSF requirements will determine the number of un-served areas on the Commission's prioritized list that will have wireless facilities deployed in any single year.

2. *Specific Commission Issues*

A. *Single Network Issue*

As noted above, the Commission has consistently concluded in wireline NUSF dockets that it is more economically efficient to support a single landline network in high cost rural areas. Setting aside the concerns over diversion of wireline support to support wireless services, within the context of wireless networks, the same economic

principles hold. Supporting a single wireless network is more efficient than supporting multiple networks. An additional factor complicating the economic efficiencies of multiple wireless networks are that two competing technologies exist in the marketplace: CDMA and GSM. End users subscribing to a GSM network cannot send or receive calls from a CDMA cell site, and CDMA network subscribers cannot send or receive calls from a GSM cell site. These incompatibilities require coordination of wireless network types across different areas of Nebraska. If multiple wireless networks were supported, the end user customers in these areas would only be able to receive service from one or the other technology, leaving dead spots for customers subscribing to the wrong technology at that location. The cost of placing both technologies could double the funding requirements of providing service in areas currently without wireless service, even if the cell towers were shared. This occurs because the customer density per cell site per technology could be one half of the density of a single provider network.

B. Funding Level for Wireless Networks

In order to follow its prior orders and meet state and federal requirements that NUSF support be reasonably predictable, the Commission must maintain the support levels currently approved for the NUSF landline fund transition, and not lower support beyond previous determinations. Once the path of the landline fund is estimated from its transition period through its steady-state level, the Commission can determine how much support is available through the current surcharge mechanism to provide construction support for wireless construction. The Commission support should consist of aid for the initial construction of cell sites and backhaul. On-going operational costs should not be funded. Based on the response to the Reverse Auction/competitive bid process Qwest proposes below, the Commission can determine the amount of build-out

of wireless coverage the state fund can afford in each year.

C. Determination of High Cost Areas

The NUSF for wireless should only be targeted to areas currently without any wireless service. Because Qwest proposes a reverse auction/competitive bid process to allocate support, there is no need for the Commission to develop costs as has been done for wireline NUSF distribution. Even so, areas without wireless service need to be identified through the use of the Nebraska wireless carriers' coverage maps and local confirmation of lack of service or insufficient service. The entire un-served area in Nebraska should be identified and each individual un-served area prioritized by the Commission in order to provide that information for the Reverse auction/competitive bid process.

D. Reverse Auction

Qwest proposes a reverse auction/competitive bid process for wireless construction support. In the reverse auction Qwest contemplates, wireless carriers would bid the amount of state support required for each un-served area the Commission has identified on its prioritized list, and the total amount of construction aid necessary for the wireless carrier to provide coverage in the areas identified by the Commission. The lowest bidder wins the support. The Commission's prioritized list determines which areas are built, and when, over the life of the program, based on the lowest bid and the available wireless NUSF budget for each year. The winning bidder would be committed to serve the area for 10 years.

E. Determination of Support Allocation

Two of the five steps in Qwest's proposal ensure that the Commission does not need to make a determination concerning wireless technology or allocations of universal service support. First, in step one of Qwest's proposal, the Commission defines the wireless service it seeks to support in un-served areas. There are multiple wireless technologies that can provide similar services. The Commission only needs to define the service type it wishes to support. Second, the competitive bid process ensures that the lowest bid to provide the defined supported service wins. The winning provider can offer additional premium services¹ in the area if they wish; however, funding only supports the Commission-defined supported service. The competitive bid process gives incentives to the bidding parties to create the most efficient deployment possible, while still meeting service definitions.

Conclusion

Qwest appreciates the opportunity to comment on these issues as they are developed. And even though Qwest does not provide a wireless network of its own, Qwest is keenly interested in this docket. First, Qwest is interested because dollars spent to support wireless services are unavailable to support wireline services. At the same time, however, Qwest resells wireless services, and Qwest's customers would benefit from broad wireless coverage across the entire state. Qwest asks that the Commission carefully balance these interests as this docket progresses.

¹ In order to develop their bids, bidding parties will most likely create a business case that not only includes the Commission-defined/supported service, but other services as well, which will contribute to the recovery of costs in serving the areas. The reverse auction method provides incentives to carriers that innovate in the provision of services beyond simple wireless voice calls.

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Respectfully submitted,

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